



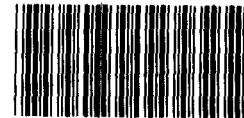
United States General Accounting Office

Report to the Congress

April 1993

FINANCIAL AUDIT

Capitol Preservation Fund—March 31, 1991 and 1990



148917



United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-251505

April 14, 1993

To the President of the Senate and the
Speaker of the House of Representatives

In accordance with 40 U.S.C. 188a-3, we have audited the accompanying statements of financial position of the Capitol Preservation Fund as of March 31, 1991 and 1990, and the related statements of operations and cash flows for the periods then ended. We completed our audit work on September 30, 1992. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these statements based on our audit.

In July 1989, the Capitol Preservation Fund began financing the operations of the U.S. Capitol Preservation Commission. The Commission, comprised of 18 members of the House and Senate, was established in November 1988 under Title VIII of Public Law 100-696 for the purpose of providing improvements in, preservation of, and acquisitions for the United States Capitol.

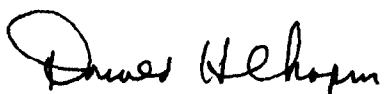
We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Capitol Preservation Fund and do not include administrative costs financed by funds appropriated to the Architect of the Capitol, the Library of Congress, and the United States Senate and House of Representatives.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Capitol Preservation Fund as of March 31, 1991 and 1990, and the results of its operations and cash flows for the periods then ended in conformity with generally accepted accounting principles.

Our report on the internal control structure and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the periods ended March 31, 1991 and 1990, is included in the report.

We are sending copies of this report to the Secretary of the Senate and to the Co-Chairmen, U. S. Capitol Preservation Commission. Copies will be sent to others upon request.



Charles A. Bowsher *for*
Comptroller General
of the United States

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Report on Internal Control Structure and Compliance With Laws and Regulations

We have audited the financial statements of the Capitol Preservation Fund for the periods ended March 31, 1991 and 1990, and have issued our opinion thereon.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. In planning and performing our audit of the financial statements of the Fund for the periods ended March 31, 1991 and 1990, we considered its internal control structure in order to determine our auditing procedures. Our purpose was to express an opinion on the Fund's financial statements and not to provide assurance on the internal control structure.

The Capitol Preservation Fund's management is responsible for establishing and maintaining an internal control structure. To fulfill this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and are recorded properly so that financial statements can be prepared in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the current structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the Fund's significant internal control structure policies and procedures, including those relevant to compliance with laws and regulations, into the following categories:

- treasury,
- revenue, and
- financial reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they had been placed in operation, and assessed the associated control risk. We performed limited tests of control procedures for the treasury and revenue categories. In addition, we performed audit tests to substantiate account balances associated with each control category. Such tests can also serve to identify weaknesses in the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all of its material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We found no material weaknesses in the Fund's internal control structure and its operation.

The management of the Fund is also responsible for compliance with applicable laws and regulations. As part of obtaining reasonable assurance as to whether the financial statements are free of material misstatement, we selected and tested transactions and records to determine the Fund's compliance with the following law, which, if not complied with, could have a material effect on the Fund's financial statements:

- 40 U.S.C. 188a-2 which requires that surcharge proceeds from the sale of bicentennial coins, donations, and interest be properly accounted for and invested by the Library of Congress.

Our objective was not to provide an opinion on the overall compliance with the above provision. Accordingly, we express no such opinion. Because of the limited purposes for which our tests of compliance were made, the law tested did not cover all legal requirements with which the Fund must comply.

The results of our tests for the periods ended 1991 and 1990 indicate that, with respect to the items tested, the Capitol Preservation Fund complied in all material respects with the provision of law referred to above.

**Report on Internal Control Structure and
Compliance With Laws and Regulations**

With respect to items not tested, nothing came to our attention that caused us to believe that the Fund had not complied, in all material respects, with that provision.

Financial Statements

Statements of Financial Position

	March 31,	
	<u>1991</u>	<u>1990</u>
Assets		
Fund balance with U.S. Treasury	\$ 3,574	\$ 9,161
Investments net of discounts (note 3)	16,987,975	15,262,641
Accrued interest	<u>149,266</u>	<u>160,736</u>
Total Assets	<u>\$17,140,815</u>	<u>\$15,432,538</u>
 Government Equity		
Cumulative results of operations	<u>\$17,140,815</u>	<u>\$15,432,538</u>
Total Government Equity	<u>\$17,140,815</u>	<u>\$15,432,538</u>

The accompanying notes are an integral part of these financial statements.

Statements of Operations

	Year ended <u>March 31, 1991</u>	From inception (July 1989) through <u>March 31, 1990</u>
Revenues		
Donations (note 1)	\$ 24,000	\$ 555,373
Surcharge proceeds (note 1)	429,692	14,189,380
Interest income	<u>1,254,585</u>	<u>687,785</u>
Total Revenues	<u>\$ 1,708,277</u>	<u>\$15,432,538</u>
Expenses (note 1)	<u>\$ 0</u>	<u>\$ 0</u>
Results of Operations	<u>\$1,708,277</u>	<u>\$15,432,538</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	Year ended March 31, 1991	From inception (July 1989) through March 31, 1990
Cash Flows From Operating Activities		
Donations received	\$ 24,000	\$ 555,373
Surcharges from coin sales received	429,692	14,189,380
Interest received	<u>1,266,055</u>	<u>527,049</u>
Net cash provided by operating activities	<u>1,719,747</u>	<u>15,271,802</u>
Cash Flows From Investing Activities		
Payments made to acquire Treasury Bills	(34,499,279)	(37,721,051)
Return of Investment in Treasury Bills	<u>32,773,945</u>	<u>22,458,410</u>
Net cash used by investing activities	<u>(1,725,334)</u>	<u>(15,262,641)</u>
Net Increase (Decrease) in Cash	(5,587)	9,161
Cash at beginning of year	<u>9,161</u>	<u>0</u>
Cash at End of Year	<u>\$ 3,574</u>	<u>\$ 9,161</u>
Reconciliations of Results of Operations to Net Cash Provided by Operating Activities		
Results of Operations	\$ 1,708,277	\$15,432,538
Adjustments to reconcile results of operations to net cash provided by operating activities		
Decrease (increase) in accrued interest	<u>11,470</u>	<u>(160,736)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,719,747</u>	<u>\$15,271,802</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Description

The U.S. Capitol Preservation Commission was established under Title VIII of Public Law 100-696, in November 1988, for the purpose of providing improvements in, preservation of, and acquisitions for the United States Capitol. The operations of the Commission are financed through the "Capitol Preservation Fund" established in the Treasury under this law. The Fund consists of deposits from charitable contributions (donations), interest on invested portions of the Fund, and surcharges received by the Secretary of the Treasury from the sale of coins under the Bicentennial of the United States Congress Commemorative Coin Act. The Fund received the majority of its proceeds from coin sales from July 1989 through March 31, 1990. Coin sales ceased in June 1990, and the U.S. Mint transferred the final proceeds during fiscal year 1991. Although the Fund did not incur any expenses during the periods covered by these financial statements, it did begin making expenditures in April 1991.

These statements do not include certain administrative costs financed with funds appropriated to the Architect of the Capitol, the Library of Congress, and the United States Senate and House of Representatives. Such administrative costs include salaries and benefits paid to personnel who work for the Preservation Commission on a part-time basis, and for Library of Congress personnel who provide accounting services for the Commission. However, these costs cannot be readily determined.

2. Significant Accounting Policies

Basis of Accounting: Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

Accounting Period: Under Commission Rule 14, the Capitol Preservation Commission established its fiscal year as the 12-month period from April 1 to March 31. The Fund began operations in July of 1989.

3. Investments

Cash deposits from donations and surcharges are invested in interest-bearing obligations of the United States and are generally purchased at a discount. The Commission has directed the Library of Congress to invest donations for 3 months, while surcharge proceeds are to be invested for 6 months. The minimum investment allowable in treasury bills is \$10,000 plus minimum investments of \$5,000 over the \$10,000 minimum. Investments outstanding as of March 31, 1991, amounted to \$17,515,000, with annual investment rates ranging from 5.79 percent to 7.19 percent. Investments outstanding as of March 31, 1990, amounted to \$15,870,000 with annual investment rates ranging from 7.28 percent to 7.95 percent.

Table 1: Schedule of Outstanding Investments

	March 31,	
	<u>1991</u>	<u>1990</u>
Investment outstanding--face value	\$17,515,000	\$15,870,000
Discounts	<u>527,025</u>	<u>607,359</u>
Investments outstanding--net of discounts	<u>\$16,987,975</u>	<u>\$15,262,641</u>

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